

PUBLIC DISCLOSURE

October 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ADAMS CO-OPERATIVE BANK

93 PARK STREET
ADAMS, MA 01220

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
--

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of ADAMS CO-OPERATIVE BANK prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “ Outstanding ”

Adams Co-operative Bank's CRA rating is based on five lending performance criteria, which are evaluated within the bank's "performance context." The "outstanding" rating is based on; (1) an average net loan to deposit ratio of 108.7%, (2) a good majority of mortgage and consumer loans granted within the assessment area, (3) a more than reasonable lending distribution among borrowers of different income levels for both residential and consumer loans, (4) a more than reasonable geographic distribution of both residential and consumer loans within the assessment area, and (5) regular implementation of fair lending policies and procedures. There were no discriminatory lending practices noted. Adams Co-operative Bank received no complaints related to its CRA performance for the time period under review.

Lastly, Adams Co-operative Bank's qualified investments, community development and retail services were also reviewed and found to demonstrate an excellent responsiveness to the credit and community development needs of its assessment area.

PERFORMANCE CONTEXT

Description of Institution

Adams Co-operative Bank is a community-based institution, which incorporated in 1896 as a Massachusetts co-operative bank. The bank operates a main office, situated in downtown Adams and two full-service branch offices; one in downtown North Adams and one in Lanesborough. All offices offer 24-hour ATMs, with network access including NYCE, CIRRUS, MasterCard and Visa. Adams Co-operative Bank is a SUM network member. These institutions do not levy ATM surcharges on their own or to other SUM network members' customers.

Adams Co-operative Bank, as of June 30, 2003, had total assets of \$157.5 million; total loans represented \$122.1 million, or 77.5 percent of assets. The table below details the bank's loan portfolio:

Loan Portfolio as of June 30, 2003		
Type of Loans	\$'s (000's)	% of Total Loans
Construction & Land Development	2,413	2.0%
Residential Real Estate		
a. 1-4 Family Mortgages	85,054	69.7%
b. Home Equity	7,216	5.9%
Lines/Loans		
Multifamily	1,865	1.5%
Commercial Loans		
a. Commercial Real Estate.	3,172	2.6%
b. Commercial Loans	3,817	3.1%
Consumer Loans		
a. Revolving Credit	461	0.4%
b. Loans to Individuals	17,998	14.7%
Other Loans	92	0.1%
Total	122,088	100.0%

Source: FDIC Call Report of Condition,

First mortgage loans (secured by 1-4 family dwellings) represent the majority (69.7%) of the bank's total loans; while consumer loans comprise the second largest segment (15.2%) of the loan portfolio. Home equity lines/loans and construction mortgages, comprise the next largest segment (7.9%) of loans. And lastly, Multifamily loans (5 units or

more) combined with commercial real estate and commercial/agricultural loans, make-up the remaining portion (7.2%) of the bank's loan portfolio.

As depicted, Adams Co-operative Bank is primarily a portfolio mortgage lender with diversification in consumer and commercial lending areas. The bank is a member of the Federal Home Loan Bank of Boston (FHLBB). Adams Co-operative Bank sells fixed rate mortgage loans to the FHLBB, selling a total of 17 loans for \$1.7 million dollars within the last year. The institution's ability to meet community credit needs continues to be good given its asset size and credit product offerings.

In 2001, Adams Co-operative Bank held the top market share for mortgage lending within its assessment area, based on the HMDA (Home Mortgage Disclosure Act) reportable loans that the bank originated. (HMDA reportable loans include home purchase mortgages, refinances of home purchase loans, home improvement and multifamily mortgage loans.) In 2001, the five most active lenders within the bank's assessment area were: (1) Adams Co-operative Bank (22.2% market share); (2) South Adams Savings Bank (13.1% market share); (3) National City Mortgage Company (market share of 5.5%); (4) Greylock Federal Credit Union (5.4% market share); and (5) Berkshire Bank (4.1% market share). These lenders combined held a 50.3 percent share of all mortgage loan originations reported under the Home Mortgage Disclosure Act (HMDA) requirements. There were a total of 139 HMDA reporting lenders active within the assessment area in 2001.

The Division of Banks last conducted a CRA evaluation as of August 10, 1998. This evaluation resulted in an "Outstanding" rating. The FDIC also evaluated the bank's CRA performance as of August 10, 1998 and assigned an overall "Outstanding" rating.

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which the bank will focus its lending efforts. The Division of Banks evaluates the institution's CRA performance based on the defined assessment area. Generally, assessment area(s) are expected to consist of Metropolitan Statistical Areas (MSA's), or contiguous political subdivisions such as counties, cities and towns.

Adams Co-operative Bank's assessment area includes the towns of Adams, Cheshire Lanesborough and New Ashford, Richmond and Hancock, which are within the Pittsfield, MA Metropolitan Statistical Area; and certain Non-Metropolitan (non-MSA) municipalities, including the City of North Adams, Williamstown, Clarksburg, Florida, Savoy, Windsor and Peru. The Pittsfield, Massachusetts MSA's median family income (MFI) was \$49,600 and \$50,400 in 2001 and 2002, respectively. In 2003, the MSA median income or MFI increased to \$56,000, representing an 11.1 percent increase over 2002 levels. Likewise, the Massachusetts' Non-MSA's median family income (MFI) was \$50,500 and \$52,100 in 2001 and 2002, respectively. The non-MSA median income increased to \$60,300 in 2003, representing a 15.7 percent increase over 2002 levels.

Beginning in 2003, all HMDA-reporting lenders are to use geographic information based on the new 2000 U.S. Census data. Consequently, the following discussion incorporates both the 1990 and 2000 U.S. Census data for the bank's assessment area.

The census tract income levels are based on the median family income within the given tract. The CRA regulation defines income levels as: low-income (less than 50 percent of the area median income), moderate-income (50 to 79 percent of median family income), middle-income (80 to 119 percent of area median income), and upper-income (120 percent and greater of the area median income). The table below compares the assessment area's 1990 census tract composition to the tract/geographic composition based on the 2000 U.S. Census data:

Changes in Assessment Area Geographies							
Census Levels	Tract	1990 Census Data		2000 Census Data		Changes in Tracts	
		#	%	#	%	#	%
Low		1	7.7	0	0.0	(1)	(100.0)
Moderate		3	23.1	6	37.5	3	100.0
Middle		8	61.5	8	50.0	0	0.0
Upper		1	7.7	2	12.5	1	100.0
NA		0	0.0	0	0.0	0	0.0
Totals		13	100.0	16	100.0	3	23.1

Based on 1990 Census data, the bank's assessment area contained 13 census tracts or geographies. The City of North Adams contained 5 census tracts including 1 low-income, 1 moderate income and three middle income tracts. Adams contained 3 tracts, 2 moderate-income and 1 middle tract. Williamstown, Cheshire and Lanesborough each encompassed a middle income geography/tract. Clarksburg, Florida, Savoy,

Windsor and Peru comprised 1 middle income census tract. Lastly, New Ashford, Richmond and Hancock comprised the only upper income geography.

Based on the 2000 U.S. Census data, the bank's assessment area now contains 16 tracts or geographies. North Adams still contains 5 tracts, the 1 low-income tract in the downtown area is now a moderate-income tract, the 1 moderate tract remained as a moderate geography, while 2 of the 3 middle tracts are now defined as moderate-income geographies. Adams retains its 3 tracts, as before 2 are moderate income and 1a middle income tract. Cheshire and Lanesborough each continue to comprise a middle income tract, while Williamstown has split into 2 tracts, retaining its middle income tract and adding an upper income geography. Two middle tracts have been added with the splitting of Clarksburg (now 1 middle tract), Florida and Savoy (a middle income tract) and Peru and Windsor defining 1 middle income geography. Lastly, New Ashford, Richmond and Hancock continue to comprise an upper income census tract.

The table below compares certain housing characteristics based on 1990 and 2000 Census data.

Census Tract Housing Characteristics (Distribution by Percentage)								
Income Category	1990 Census				2000 Census			
	Households	Housing Units	Owner Occupied	Median Home Value	Households	Housing Units	Owner Occupied	Median Home Value
Low	2.1	2.1	0.2	\$97,900	0.0	0.0	0.0	\$0
Moderate	22.2	21.2	19.2	\$86,845	43.9	43.3	33.6	\$89,857
Middle	70.6	70.6	74.2	\$106,259	45.0	44.2	53.5	\$115,275
Upper	5.1	6.1	6.4	\$158,600	11.1	12.5	12.9	\$189,180
NA	0.0	0.0	0.0	\$0	0.0	0.0	0.0	\$0
Totals or Median	100.0	100.0	58.8	\$105,154	100.0	100.0	59.7	\$113,484

As the table demonstrates, the increase in the number of moderate-income tracts (from 3 tracts in 1990 to 6 tracts in 2000) significantly influenced the distribution of households and housing units among the moderate and middle income geographies. The moderate tracts in 1990 held 22.2 percent of households, 21.1 percent of all housing units and 19.2 percent of all owner-occupied housing units. In comparison, the moderate tracts based on 2000 Census data contain 43.9 percent of all households, 43.3 percent of housing units and 33.6 percent of all owner occupied dwellings. Furthermore, the middle tracts, which in 1990 contained 70.6 percent of households and housing units and 74.2 percent of owner occupied dwellings; now contain 45.0 percent of households, 44.2 percent of all housing units and 53.3 percent of owner occupied housing units.

Lastly, the 1 upper income tract (based on 1990 Census) contained 5.1 percent households, 6.1 percent of all housing units and 6.4 percent of owner occupied dwellings. The 2 upper income geographies now contain 11.1 percent of households, 12.5 percent of all housing units and 12.9 percent of all owner occupied dwellings.

The table below provides median home prices for certain towns within the assessment area. The median prices are based on Registry of Deeds transactions for the eight-month (year to date) period indicated:

	August 2001	August 2002	August 2003*
ADAMS	78,000	85,000	97,750
NORTH ADAMS	67,000	78,750	80,000
CHESHIRE	94,000	102,500	102,500
CLARKSBURG	85,750	87,550	67,668
WILLIAMSTOWN	163,500	185,000	185,000

Source: Warren Information Services (Banker & Tradesman)

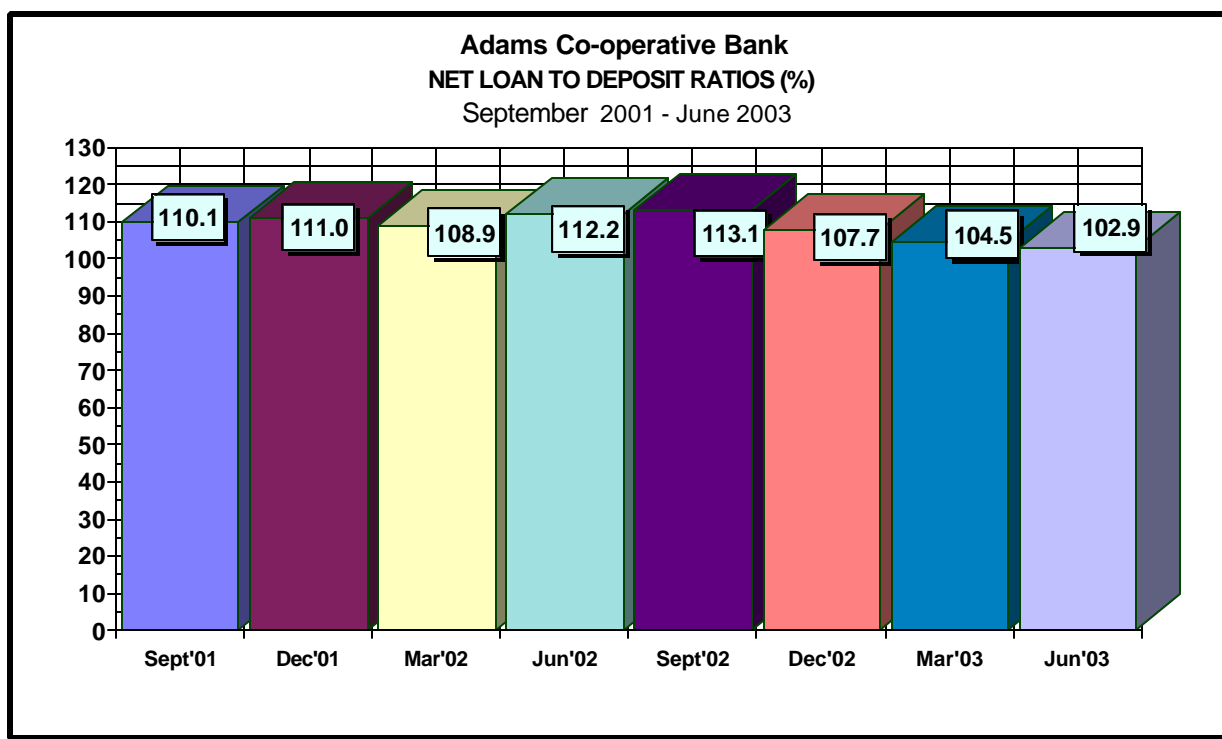
Overall, the above figures reflect an increase in home prices in 2003 over the 2001 levels. A comparison of 2001 to 2003 prices indicates that in Adams and North Adams median home prices increased by \$19,750 and \$13,000, respectively. Cheshire's median home price increased by \$8,500 in 2002 and remained unchanged in first eight months of 2003. Williamstown had the largest increase with the median home prices rising by \$21,500. The City of North Adams is the most active housing market with 140 and 142 home sales through August of 2002 and 2003, respectively. Adams, the second most active market had 90 and 86 home sales in 2002 and 2003, respectively.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This criterion evaluates the level and trend of the bank's net loan-to-deposit ratio. The average net loan-to-deposit ratio is 108.7 percent for the eight quarters from September 31, 2001, through June 30, 2003. Adams Co-operative Bank's performance is considered more than reasonable, given the institution's lending capacity and the credit needs of its assessment area.

The following graph illustrates the ratio's level and trend for the quarters reviewed:



As shown above, the bank's net loan-to-deposit ratios are consistently above 100 percent of deposits. The excess of loans to deposits is explained by the institution's support of community credit goals/needs through the use of Federal Home Loan Bank borrowings. In the year ending June 2003, the net loan to deposit ratios demonstrate a somewhat declining trend, due to deposit growth of 7.7 percent outpacing a negative loan growth of 1.2 percent.

The following table compares Adams Co-operative Bank's net loan-to-deposit ratio to six other financial institutions with offices located approximate to or within the assessment area:

Institution	Net Loans to Deposits	Total Assets \$'s (millions)
Adams Co-operative Bank	102.9%	\$157.5
Williamstown Savings Bank	72.2%	\$186.8
South Adams Savings Bank	78.3%	\$200.3
Hoosac Bank	70.5%	\$302.4
Legacy Bank	100.9%	\$603.8
Greylock Federal Credit Union	60.3%	\$724.5
Berkshire Bank	98.3%	\$1,116.5

Source: Call Reports (FDIC and NCUA) as of 6/30/03.

The institutions are listed by asset size in ascending order; ranging from the smallest, Adams Co-operative Bank (\$157.5 million) to the largest, Berkshire Bank (\$1.1 billion). Although smallest in asset size, Adams Co-operative Bank maintained an excellent level of net loans to deposits.

In conclusion, Adams Co-operative Bank's average net loans to deposit ratio of 108.7 percent is more than reasonable and exceeds standards for a satisfactory rating, given the bank's capacity to lend and the credit needs of the assessment area.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

The second performance criterion is based on the bank's record of lending within its assessment area. Adams Co-operative Bank's lending activity within the assessment area represents a good majority and consequently, meets the standards for a satisfactory performance. Both mortgage and consumer loan activity were analyzed to determine the bank's performance for this and the two subsequent lending criteria. The period under review constitutes calendar years 2001 and 2002, as well as a year- to- date (YTD) period through August 31, 2003.

Based on HMDA reported data, Adams Co-operative Bank granted a total of 957 mortgage loans totaling \$82.1 million during the period reviewed. Lending activity inside the assessment area represented 80.5 percent (by number) and 77.8 percent (by dollar) of the total mortgage loans granted.

The following table details the bank's lending inside and outside its assessment area.

Distribution of Home Mortgage Loans Inside and Outside the Assessment Area								
	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2001	244	88.4	17,983	85.4	32	11.6	3,063	14.6
2002	241	74.8	21,913	73.6	81	25.2	7,865	26.4
2003*	285	79.4	23,998	76.8	74	20.6	7,258	23.2
Total	770	80.5	63,894	77.8	187	19.5	18,186	22.2

Source: Home Mortgage Disclosure Act – Loan Application Register (HMDA-LAR). *Through August 31, 2003.

The largest residential lending concentrations (inside the assessment area) were: Adams (259 loans for \$20.7 million), North Adams (181 loans totaling \$11.4 million) and Clarksburg, including Florida, Savoy, Windsor and Peru (141 loans for \$12.7 million). The loans originated within Adams represented 33.6 percent (by number) and 32.4 percent (by dollars) of all loans granted within the assessment area. Overall, Adams Co-operative Bank granted a good majority of its mortgage loans inside its assessment area.

Lastly, secured consumer loans were analyzed. Adams Co-operative Bank granted 657 secured consumer loans totaling \$8.1 million in 2001, 636 loans for \$7.6 million in 2002 and 531 loans totaling \$7.1 million in the year-to-date 2003. Secured consumer loans primarily represent auto loans. A sample group for each year was randomly selected based on the total number of loans granted to determine a statistically accurate sample group.

The table below details the bank's secured consumer loan originations, both inside and outside the assessment.

Distribution of Consumer Lending Inside and Outside of the Assessment Area*												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2001	31	72.1	392	75.5	12	27.9	127	24.5	43	100	519	100
2002	35	83.3	469	84.4	7	16.7	87	15.6	42	100	556	100
2003*	32	86.5	497	87.0	5	13.5	74	13.0	37	100	571	100
Total	98	80.3	1,358	82.5	24	19.7	288	17.5	122	100	1,646	100

*Source: Loan Sample

Of the total 122 loans for \$1.6 million sampled, there were 98 loans (80.3 % by number) for \$1.3 million (82.5% by dollars) granted inside the assessment, representing a good majority of the total loan activity analyzed.

In summary, given the levels of residential and consumer lending inside its assessment area, Adams Co-operative Bank meets the standard for a satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

This third criterion evaluates the extent to which the institution lends to borrowers of different income levels. The bank's performance for this criterion was found to be more than reasonable and to exceed the standards for a satisfactory performance. Residential mortgage and consumer loans were evaluated for 2001, 2002, and year to date ending August 31, 2003, to determine the institution's performance. The bank's residential lending is given the greater weight due to the greater volume of these loans granted and held in the bank's loan portfolio.

Borrower income levels are compared to the area median/median family income (MFI) for the MSA to determine the borrowers income levels. By definition, borrowers qualify as low income (below 50% of MSA area median/MFI), moderate-income (between 50% and 79% of MSA median family income), middle-income (between 80 and 119% of MSA MFI) and upper-income (120% or more of MSA area median/MFI). The Pittsfield, MA MSA's median family income (MFI) was \$49,600 and \$50,400 in 2001 and 2002, respectively. In 2003, the MSA median income/MFI increased to \$56,000. In 2002, a low-income family earned \$24,700 or less, while a moderate-income family household earned from \$25,200 to no more than \$39,800, annually. Middle income families had incomes ranging from \$40,300 to \$60,000, while upper income family households earned \$61,000 or more, annually.

The following table compares the bank's 2001 and 2002 borrower income distribution to that of the HMDA aggregate lenders. Furthermore, the table also compares these presentations to the distribution of family households within the assessment area.

Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	% Total Households Per 1990 Census Data	Aggregate Lending Data (% of #)	2001		2002		Total	
			2001	#	%	#	%	#
Low	27.8	4.7	21	8.6	21	8.7	42	8.7
Moderate	16.2	16.1	55	22.5	47	19.5	102	21.0
Middle	19.7	24.6	74	30.4	81	33.7	155	32.0
Upper	36.3	43.2	84	34.4	89	36.9	173	35.7
NA	0.0	11.5	10	4.1	3	1.2	13	2.6
Total	100.0	100.0	244	100.0	241	100.0	485	100.0

Source: U.S. Census, HMDA LAR, and HMDA Aggregate Data

Comparison to both sets of data provides a measure of the reasonableness of the bank's lending distribution. (The aggregate lenders' data also indicates the level of lending opportunities, existing among borrowers of all income categories.) In 2001, the aggregate lenders' distribution reasonably reflects the demographic distribution of households of all income categories, excepting low-income borrowers. In 2001, Adams Co-operative Bank's borrower income distribution exceeded the HMDA aggregate performance for lending to both low and moderate-income borrowers. The bank also exceeded the aggregate lenders' performance for lending to middle income borrowers.

The 2001 borrower income distribution based on the dollar volume of loans is not detailed in this discussion. Even so, the bank's lending distribution to both low-income and moderate-income borrowers (based on dollar volume) similarly exceeded the aggregate lenders' distribution to these income groups.

The following table compares the bank's 2003 residential lending activity through August 31, 2003, to household demographic data based on the 2000 Census:

Distribution of HMDA Loans by Borrower Income					
Median Family Income Level	% Total Households Per 2000 Census Data	2003*			
		#	%	\$	%
Low	28.9	25	8.8	1,044	4.4
Moderate	17.1	76	26.7	5,151	21.5
Middle	17.9	89	31.2	7,699	32.1
Upper	36.2	91	31.9	9,749	40.5
NA	0.0	4	1.4	355	1.5
Total	100.0	285	100.0	23,998	100.0

Source: U.S. Census, HMDA LAR through 8/31/03.

The above comparative analysis demonstrates that the bank's level of lending to all income groups continues in a more than reasonable pattern. The 2003 distribution of loans to moderate-income borrowers indicates (to some degree) an increase in lending over the 2001 and 2002 levels.

Overall, Adams Co-operative Bank's mortgage lending to low and moderate-income borrowers remained above the aggregate lenders' performance, indicating a level of lending well above market parity. Additionally, the institution's lending to middle income borrowers exceeds the level of these households within the assessment area indicating a more than reasonable lending distribution to this income group. Consequently, Adams Co-operative Bank's residential lending for this criterion exceeds the standards for a satisfactory rating.

Furthermore, the bank's secured consumer lending was found to demonstrate an improved distribution of loans among the borrower income levels, particularly low and moderate-income borrowers. The table below details the borrowers' income distribution for the loans sampled by numbers of loans.

Distribution of Consumer Lending by Borrower Income								
Income Level	2001		2002		2003		Total	
	#	%	#	%	#	%	#	%
Low	7	22.6	10	28.6	10	31.3	27	27.6
Moderate	16	51.6	15	42.9	12	37.5	43	43.9
Middle	6	19.4	4	11.4	4	12.5	14	14.3
Upper	2	6.4	5	14.3	4	12.5	11	11.2
NA	0	0.0	1	2.8	2	6.2	3	3.0
Total	31	100.0	35	100.0	32	100.0	98	100.0

*Source: Loan sample.

The above table demonstrates that low and moderate-income borrowers combined were granted 70 loans (of the 98 loans sampled), representing 71.4 percent of the total loans granted. This distribution is considered to be more than reasonable. Since the above analysis uses the Median Family Income (MFI) and secured consumer loans maybe (or are) largely granted to individuals, the results may be skewed. Nonetheless, the distribution indicates that secured consumer loans serve the credit needs of all income categories of borrower, but especially those of low and moderate income.

In conclusion, Adams Co-operative Bank's performance is considered to exceed standards for a "satisfactory" rating for this criterion. The institution's loan distribution among borrowers of different income levels is considered to be more than reasonable for both mortgage and consumer loans, especially given the favorable and consistent level of loans granted to low-income and moderate income borrowers.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The fourth performance criterion evaluates the institution's record of addressing the credit needs of the assessment area based on the geographic distribution of loans. Adams Co-operative Bank's performance for this criterion is considered to be more than reasonable and to exceed the standards for a satisfactory performance. Census tracts' median incomes are categories by the same comparative income levels that applied to borrowers' incomes.

The table compares the bank's distribution of residential loans (among the income levels of census tracts comprising the assessment area) to that of the HMDA Aggregate Lenders' distribution. Furthermore, the table also compares these presentations to the distribution of owner occupied dwellings among the census tracts based on 1990 Census data and income levels.

Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% Owner- Occupied Housing Units 1990 Census Data	Aggregat e Lending Data (% of #)	2001		2002		Total	
			2001	#	%	#	%	#
Low	0.2	0.7	1	0.4	2	0.8	3	0.6
Moderate	19.2	15.1	68	27.9	63	26.2	131	27.0
Middle	74.2	70.2	174	71.3	174	72.2	348	71.8
Upper	6.4	14.0	1	0.4	2	0.8	3	0.6
Total	100.0	100.0	244	100.0	241	100.0	485	100.0

Source: U.S. Census, HMDA LAR, and HMDA Aggregate Data

In 2001 and 2002, Adams Co-operative Bank granted the overwhelming majority of residential loans (348 loans or 71.8% by number) within the middle income census tracts. There were 8 middle income tracts, which represented 61.5 percent of the total 13 tracts in the assessment area. Residential loans granted in the moderate-income tracts represented the second largest portion (131 loans or 27.0% by number) of the above distribution. There were three moderate-income census tracts, which represented 23.1 percent of the total geographies within the assessment area. Lastly, there were 3 loans (or 0.6 percent of the total loans) granted in each the 1 low-income and the 1 upper income geography, representing the smallest segment of the bank's mortgage lending activity. The low-income and upper income tracts represented 7.7 percent each of the total 13 assessment area geographies/tracts.

The HMDA aggregate lenders' 2001 geographic within the moderate and middle-income geographies was somewhat below the distribution of owner occupied dwellings, while lending within the low-income and upper-income exceeded the distribution of owner occupied units. As presented above, Adams Co-operative Bank's 2001 geographic loan distribution rests soundly within the middle income census tracts and reflects closely the aggregate performance here. Notably however, the bank's lending within moderate-income tracts exceeds both the aggregate lenders' performance and the distribution of owner occupied dwellings within these geographies. Given this favorable comparison, Adams Co-operative Bank's geographic distribution is considered to be more than reasonable.

The 2001, geographic distribution based on the dollar volume of loans is not detailed in this discussion. Even so, the bank's lending distribution within the moderate-income geographies (based on dollar volume) well exceeded the aggregate lenders' distribution within these census tracts.

The following table compares the bank's 2003 geographic lending distribution (through August 31, 2003) to distribution of owner occupied unites based on 2000 Census data.

Distribution of HMDA Loans by Income Category of the Census Tract					
Census Tract Income Level	% Total Owner- Occupied Housing Units Per 2000 Census Data	2003*			
		#	%	\$	%
Low	0.0	0	0.0	0	0.0
Moderate	33.6	124	43.5	9,055	37.7
Middle	53.5	155	54.4	13,960	58.2
Upper	12.9	6	2.1	983	4.1
Total	100.0	285	100.0	23,998	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data through 8/31/03

The table above reflects the shift in the distribution of housing units due to changes in the census tracts' income categories. As noted in the Description of the Assessment Area, three formerly middle income tracts situated in the City of North Adams are now designated as moderate income tracts, increasing the number of moderate-income geographies to six. In addition, although the number of middle income tracts remained unchanged, the percentage of owner occupied units within these geographies declined, since the newly designated middle income tracts are situated in small rural towns. Having noted all this, Adams Co-operative Bank's 2003 HMDA loan originations are well distributed among the income levels of census tracts. And importantly, the bank's lending within the moderate-income tracts exceeds the distribution of owner occupied units within geographies.

Adams Co-operative Bank's geographic distribution for residential lending activity is considered to be more than reasonable, given the bank's lending within the moderate-income tract. Market presence within the moderate-income tracts was consistently above the aggregate lenders' level. Overall, the bank's residential lending for this criterion exceeds standards for a satisfactory performance.

Finally, the table below details the geographic distribution for secured consumer loans according to a sample of the numbers of loans.

Distribution of Consumer Lending by Income Category of the Census Tract*								
Tract Income Level	2001		2002		2003		Total	
	#	%	#	%	#	%	\$	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	10	32.3	12	34.3	19	59.4	41	41.8
Middle	20	64.5	20	57.1	11	34.3	51	52.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA	1	3.2	3	8.6	2	6.3	6	6.2
Total	31	100.0	35	100.0	32	100.0	98	100.0

*Source: Loan sample.

The bank's 2001 and 2002 secured consumer lending demonstrates an improved distribution of loans among the census tract income levels, particularly within the moderate-income geographies. The bank's 2003 distribution reflects a further increase of loans within the moderate-income tracts, which more than parallels the demographic changes within the assessment area.

In conclusion, the bank's geographic distribution for its residential and consumer lending are considered to be more than reasonable, based on a strong distribution of loans within both the moderate-income and middle-income geographies, but particularly within the moderate-income geographies. Consequently, Adams Co-operative Bank's performance for this criterion exceeds the standards for a "satisfactory" rating.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Adams Co-operative Bank received no CRA related complaints in the period under review. The bank has an adequate record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division of Banks' Regulatory Bulletin 2.3-101.

Adams Co-operative Bank as a mortgage lender, primarily retains the mortgage its originates for its own portfolio. As a portfolio lender, the bank offers a variety of Adjustable Rate Mortgage (ARM) products, including a 7/1 ARM, a 5/1 ARM and a 3-year ARM product. Further, the bank offered a 10/1 ARM product until sometime in early 2003. The interest rates on the 7/1 and 5/1 ARM's are fixed for the first 7 and 5 years, respectively and then adjusted annually based on a predetermined index (U.S. Treasury securities) and margin added to the current indexed rate. All the bank's ARM programs have an adjustment cap and a lifetime cap controlling the maximum rate of interest to be charged.

Adams Co-operative Bank offers a First Time Homebuyer mortgage program. This program is a 5/1 ARM, 30 year term with a below market interest rate, a maximum loan to value (LTV) of 95 percent, reduced closing costs and no income limits to qualify. All other mortgage programs offered by the bank require a maximum LTV of 80 percent. Terms for these mortgage loans can vary from a maximum of 30 years to minimum of 5 years. Adams Co-operative Bank continues to offer MassHousing's "Get the Lead Out" loan product to assist homeowners of older properties. Similarly, the institution participates in Home Options for Mass Elders' reverse mortgage program.

During the period reviewed, Adams Co-operative Bank granted first time home buyer mortgage loans as follows; there were twenty-one loans for a total of \$1.9 million in 2001, sixteen loans for a total of 1.4 million in 2002 and two loans for \$211 thousand through August 2003. Under MassHousing's "Get the Lead Out" loan program the bank originated a total of seventeen loans totaling \$237 thousand. Lastly, Adams Co-operative Bank has a policy to grant loans at a 1- percent discount to applicants being assisted by either a federal or state/local for purchase or rehabilitation of a dwelling. The bank granted a total of 4 loans for \$284 thousand in 2002 and YTD 2003 under this policy. It should be noted that all of these loans are HMDA reportable and consequently have been analyzed in the prior lending criteria.

The bank's qualifies all mortgage applicants using debt to income ratios of 28%/36% (housing expense/total indebtedness to income). Adams Co-operative Bank, as a portfolio lender allows for some flexibility in these qualifying ratios. However, all fixed rate mortgages are processed and underwritten based on secondary market guidelines including the 28%/36% qualifying ratios. Adams Co-operative Bank offers an informal pre-qualification service to potential first time homebuyers. The bank's pre-qualification process determines the mortgage amount for which a potential homebuyer can qualify; and counsels the future buyer as to what problems may need to be addressed in order for them to make a home purchase.

All mortgage applications are initially underwritten by the loan originator and reviewed by a second loan officer. This process allows for all mortgage applications recommended for denial a second look or review. Likewise, a second officer reviews all consumer loans recommended for denial prior to the denial notice being sent to the applicant.

Adams Co-operative Bank currently employs 36 full-time and 8 part-time staff members. There are no individuals employed who are members of a minority population. All loan officers are paid on a salary basis and consequently have no incentive to discourage smaller dollar loan requests. In the current year, the institution's lending staff participated in various lending related training seminars, which covered HMDA's new regulations, financial statement analysis, residential lending principles and a Freddie Mac (FHLMC) training day.

MINORITY APPLICATION FLOW

The bank received (for 2001, 2002 and year-to date 2003 combined) a total of 17 mortgage applications from various minority groups, representing 1.8 percent of all residential loan applications received. The HMDA aggregate lenders in 2001 attracted a total of 25 minority applicants, representing 1.8 percent of all the residential applications received. In comparison, Adams Co-operative Bank's minority applicants in 2001 represented 1.6 percent of all applicants. The table following provides further details:

MINORITY APPLICATION FLOW										
Racial Designation	Aggregate Data 2001		Bank 2001		2002		2003		Totals	
	#	%	#	%	#	%	#	%	#	%
Native Am.	4	0.3	3	1.0	1	0.4	0	0.0	4	0.4
Asian	7	0.5	1	0.3	2	0.7	3	1.0	6	0.7
Black	7	0.5	0	0.0	0	0.0	2	0.6	2	0.2
Hispanic	3	0.2	1	0.3	0	0.0	2	0.6	3	0.3
Other	4	0.3	0	0.0	0	0.0	2	0.6	2	0.2
Total Minority	25	1.8	5	1.6	3	1.1	9	2.8	17	1.8
White	898	61.0	272	92.3	259	91.8	282	89.6	813	91.2
NA	550	37.2	18	6.1	20	7.1	24	7.6	62	7.0
Total	1,473	100.0	295	100.0	282	100.0	315	100.0	892	100.0

Source: HMDA-LAR, CRA Wiz .

In addition, the institution's minority application flow is compared to the racial composition of the assessment area. The table details the assessment area's racial composition for the 1990 and 2000 U.S. Census:

Change in Assessment Area Racial Demographics					
Race	1990 Census Data		2000 Census Data		% Change in Number of Persons
	#	%	#	%	
Native American	63	0.1	59	0.1	(6.3)
Asian	361	0.7	528	1.2	46.3
Black	540	1.1	518	1.1	(4.1)
Hispanic	391	0.9	608	1.3	55.5
Other	9	0.0	480	1.1	5,233.3
White	46,776	97.2	43,443	95.2	(7.1)
Total Persons	48,140	100.0	45,636	100.0	(5.2)
Total Minority	1,364	2.8	2,193	4.8	60.8

The assessment area's total population declined by 5.2% while the total minority population increased by 60.8 percent. The Asian and Hispanic communities increased by 46.3 and 55.5 percent, respectively. It is notable that the bank's minority application flow increased for the year-to-date 2003 and represented 2.8 percent of total applications. Given the racial composition and the HMDA aggregate application data, the bank's level of attracting minority applicants is considered to be reasonable.

Conclusion/Fair Lending

Adams Co-operative Bank's record of implementing and developing fair lending policies and practices is rated "satisfactory." This rating is based on regular training programs for all staff, credit products designed to meet the assessment area credit needs, regular efforts to market the institution's credit services to all segments of the assessment area, and efforts to review all denied mortgage and consumer loan applications to ensure fairness in the underwriting and loan application process.

QUALIFIED INVESTMENTS AND COMMUNITY DEVELOPMENT AND OTHER SERVICES

In assessing whether a small institution may warrant an overall "high satisfactory" or "outstanding" rating for its CRA performance, the Division considers the degree to which the institution exceeds the performance standard for each of the five lending criteria. In addition, the Division reviews the institution's performance in making qualified investments (or community development loans) and its providing of branches, delivery systems and other services that enhance credit availability in its assessment area.

An investment or service to be considered "qualified" must have as its primary purpose community development as that is defined by the Division's CRA regulation. A community development purpose includes: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals,

activities that promote economic development, and activities that revitalize or stabilize low and moderate-income geographies. In addition, community development services must relate to the provision of financial services.

The bank's qualified investments support a "Outstanding" rating and demonstrate an excellent responsiveness to community credit needs. Adams Co-operative Bank's community development and retail services help to expand credit availability within the assessment area.

Qualified Investments

Berkshire Housing Development Corporation (BHDC) is a non-profit corporation, which serves as Berkshire County's regional agency for affordable housing development. BDHC, through its affiliate, Berkshire Fund, Inc, offers the "Good Samaritan Program." The program assists low and moderate income families/individuals in purchasing homes by offering second mortgage funding for up to 15% of the home purchase price. Adams Co-operative Bank provides direct financial support by purchasing and holding Good Samaritan Homeownership Program Bonds, which fund these second mortgages. The bank currently holds a total of \$45,750 in Good Samaritan Homeownership Bonds, purchasing \$15,750 of these bonds in December 2001.

In March 2002, Adams Co-Operative Bank committed \$200,000 in loan funds to the Adams Community Development Department for the purpose of supporting **Adams Downtown Signage and Façade Improvement Program**. The loan funds are offered at a below market interest rate to eligible program applicants. Adams Co-Operative Bank granted 3 loan totaling \$306,000 under the Façade Improvement Program. Downtown Adams is a historic district situated within a moderate-income census tract.

Charitable Contributions

For calendar year 2001, Adams Co-Operative Bank provided \$56,610 in contributions, of which \$39,332 or 69.5 percent are considered to be for a community development purpose, as defined under the CRA regulation. For calendar year 2002, the bank provided \$151,253 in contributions, \$133,483 or 88.3 percent were qualified under the regulation. For YTD 2003, the bank provided \$61,878 in contributions and commitments of which \$47,028 or 76.0 percent are considered to be qualified. The following includes some of the organizations to which the bank contributed that are considered to be qualified grants/donations.

The following organizations provide social services to low and moderate-income families, individuals and youth, credit education and elder services. There are: Northern Berkshire United Way, American Red Cross, the Commission on Disabilities, Northern Berkshire Habitat for Humanity, and the Food Bank; Northern Berkshire YMCA, Big Brothers/Big Sisters, Junior Achievement, Berkshire County Kids Place, United Cerebral Palsy, and Youth Center Inc. Credit Counseling Service of Massachusetts, HOME (Home Options for Massachusetts Elders) and Elder Services of Berkshire County, the Council on Aging,

The following non-profit groups support small businesses and promote economic development; Northern Berkshire Industrial Park and Development Corporation, Northern County Community Development Corporation (CDC), Northern Berkshire Community Partnership, Northern Berkshire Community Coalition, and Western Massachusetts Enterprise Fund.

QUALIFIED SERVICES

Community Development Services

The CRA regulation defines a community development service as a service whose primary purpose is community development and is related to the provision of financial services. Adams Co-operative Bank's officers and employees lend their expertise to community organizations that address community development needs. Detailed below are the bank's qualified community development services:

Downtown Development, Inc. is a non-profit corporation instrumental in the revitalization of downtown North Adams. An Adams Co-operative Bank Director is a member of this organization.

Northern Berkshire United Way, an at-work fund raising organization, which provides funds to community-based organizations, serving low and moderate income families and individuals. The bank's treasurer formerly served as Co-Chairman of this organization. In addition, an Adams Co-operative Bank Assistant Vice President serves as a fundraiser and another Assistant Vice President serves on the Commercial Division Committee for this United Way chapter.

Northern Berkshire Health Systems/North Adams Regional Hospital, provides health care services to more than 70 percent of Northern Berkshire County, with as many as 3,500 uninsured adults relying on the hospital's Emergency Department. A bank director serves as a board member of North Adams Regional Hospital, while the bank's President serves as Treasurer of Northern Berkshire Health Systems, the hospital's parent corporation.

Northern Berkshire Chamber of Commerce; the bank's President and Vice President are members of this organization; an Assistant Vice President serves as Chairperson for Adams' affiliate.

Northern Berkshire Business & Professional Women Club; A Vice President is a member and fundraising Chairperson for this business association. **Center for Financial Training for the Berkshire Hills Region;** The same individual serves on the Board of Directors and as Vice Chairperson of this organization.

North Adams Public Library, the bank's President serves as a Trustee and a member of the library's Building Committee. A 2001 survey of citizens' library usage, disclosed that 56 percent of North Adams' population utilize this public education resource in a given year. The survey also indicated that circulation had increased by 27 percent with 64,650 library visits/visitors and 4,005 computer users gaining access at the facility. The City of North Adams, as mentioned above, is undergoing revitalization in its commercial district and its adjacent moderate-income neighborhood. The MassMOCA, a cultural and education organization, is central to the revitalization efforts.

Credit Education Services

Adams Co-operative Bank sponsors the **Massachusetts' "Savings Makes Cents" Program** at the C. T. Plunkett Elementary School in Adams. The goal of this school savings program is to teach children some basics of how to manage money. The bank's Vice President teaches this program to the school's fifth graders.

The bank's Vice President, along with an employee volunteer, teach the Junior Achievement of Western Massachusetts' programs at the St. Stanislaus School in Adams. Junior Achievement of Western Massachusetts instructs middle school students about business, economics, and the free enterprise system. In the spring of 2002 and 2003, the students were also taught a class on Personal Economics; topics included "Marketing Yourself," "Identifying Your Skills and Interests," "Job Opportunities," and "Job Interviews."

Also in the spring of 2003, a bank employee presented a Junior Achievement of Western Massachusetts program entitled "Our Region" to fourth graders at the school. The program enhances and supplements the school's social studies curriculum with business and economics-related skills and concepts.

In March 2003, an Adams Co-Operative Bank Vice President participated in Career Day at the Conte Middle School in North Adams.

Retail Services

Adams Co-operative Bank operates three full service offices. The bank's main office (in downtown Adams) is located within a moderate-income tract. The North Adams office is also situated in that city's downtown. This tract was formerly designated as a low-income tract and as is now a moderate-income tract, based on the 2000 Census data. The Lanesboro office is located in a middle-income tract.

Office hours are convenient with extended hours on Thursday evenings and Saturday mornings. All offices have drive-up facilities that are open one-half hour before the lobby. All locations offer 24 hour ATM service (walk-up and drive-up) connected to Cirrus, Plus, Visa, Master Card, American Express and NYCE networks. Adams Co-operative Bank is a member of the SUM network, which provides surcharges free access to member's customers.

Adams Co-operative Bank is a participant in the Massachusetts Community and Banking Council's (M.C.B.C.) "**Basic Banking for Massachusetts**" program. The program's purpose is to encourage the offering of low-cost accounts for people with modest incomes. The bank offers both a checking account and savings account, which comply with MCBC guidelines. A \$ 10.00 minimum balance is required to open both the basic checking and savings account and to maintain these accounts with no fees.

Adams Co-operative Bank participates in the Massachusetts **Interest on Lawyers Trust Account (IOLTA) program** and in 2000 was selected as an "**Honor Roll Bank**" by the IOLTA Committee. The "**Honor Roll Bank**" designation is awarded based upon exceptional IOLTA remittances and practices. Adams Co-operative Bank remitted to the IOLTA Committee \$2,806 and \$1,006 in interest in 2002 and year-to-date 2003, respectively. The IOLTA Committee distributes these funds to agencies that provide legal services to lower-income individuals.

Lastly, Adams Co-operative Bank continues to participate in the voluntary government check cashing program and public assistance direct deposit program.

Adams Co-operative Bank offers Internet banking through its own online service at www.adamscooperative.com. Using this web-site, customers can view current loan and deposit rates, and, utilizing a loan calculator, can calculate payment amounts on a variety of loan products.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

ADAMS CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 8, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area , each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.